

April 2, 2003

Opening Statement by Congressman Paul E. Gillmor  
House Financial Services Committee  
Subcommittee on Capital Markets, Insurance, and Government Sponsored Enterprises  
Hearing entitled, "Rating the Rating Agencies: the State of Transparency and Competition"

Thank you, Mr. Chairman, for calling this important hearing to address the current practices of credit ratings agencies. Unfortunately, a Markup of the "Energy Policy Act of 2003" is also taking place in the Energy and Commerce Committee this morning, so I may not be able to attend the majority of today's hearing.

Section 702(b) of the Sarbanes-Oxley Act required the Securities and Exchange Commission (SEC) to study the role and function of credit rating agencies in our securities markets and a report was released in January. At that time, the SEC also announced plans to begin a rule-making process to address the problems uncovered as a result of their inquiry.

I look forward to hearing the opinions of today's witnesses on the SEC investigation and the resulting criticisms of the industry. I think it is fair to say that credit rating agencies have not received the same amount of scrutiny from the SEC or Congress as many other players in the securities industry. Given the system-wide problems uncovered as a result of recent corporate scandals, it is time we take a closer look. Why did they fail to warn investors of the impending bankruptcies at Enron and WorldCom?

Last year, in the Sarbanes-Oxley Act, Congress identified several issues in need of further examination. In particular, I am interested to learn more today regarding the credit reporting agencies' responsibility to investors and recognition of the significant role their decisions play in the securities market. Perhaps more information should be disclosed on how rating decisions are made to ensure that conflicts of interest do not arise when issuers pay for ratings or rating agencies develop additional fee-based services.

Again, I would like to thank Chairman Baker for allowing us this opportunity to learn more about this industry and thank today's witnesses for joining us. I look forward to an informative session.